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COUNTY OF MARIN

**Management Report
For the Year Ended June 30, 2008**

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COUNTY OF MARIN

Management Report For the Year Ended June 30, 2008

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To the Board of Supervisors
County of Marin

In planning and performing our audit of the financial statements of the County of Marin (County) as of and for the year ended June 30, 2008, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

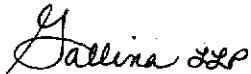
Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above. In addition, because of inherent limitations in internal controls, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

During our audit we became aware of matters that are opportunities for strengthening internal controls. The memorandum that accompanies this letter summarizes our comments and suggestions concerning these matters. We previously reported on the County's internal control in our report dated January 8, 2010. This letter does not affect our report dated January 8, 2010 on the financial statements of the County of Marin.

To the Board of Supervisors
County of Marin

This report is intended for the use of management, the Board of Supervisors, and officials of the federal and state grantor agencies, and is not intended to be and should not be used by anyone other than these specified parties.

We thank the County's staff for its cooperation during our audit.

A handwritten signature in cursive script, appearing to read "Gallina LLP".

Roseville, California
January 8, 2010

COUNTY OF MARIN

Management Report Required Communication For the Year Ended June 30, 2008

Professional standards require that we provide you with the following information related to our audit.

The Auditor's Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated May 21, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated May 21, 2009.

COUNTY OF MARIN

Management Report Required Communication For the Year Ended June 30, 2008

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

- Accrual and disclosure of compensated absences: Management's estimate is based on information collected in the County's payroll system using current pay rates and past experience on employee use of compensating time-off. Our audit agreed balances reported in the financial statements to those in the County's payroll system.
- Capital asset lives and depreciation expense: Management's estimate is based on past experience. We scanned depreciation listings for reasonable compliance to this approach.
- Valuation of risk management liabilities: Management's estimate is derived from actuarial reports obtained from experts. We agreed the claims liability reported in the financial statements to information derived from those reports.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

COUNTY OF MARIN

Management Report Required Communication For the Year Ended June 30, 2008

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The material misstatements noted below were detected as a result of audit procedures and were corrected by management:

- Record additional payroll liabilities and debit cash at June 30, 2008 for \$7,911,846.

In addition, there were several immaterial uncorrected misstatements identified during the audit. The list below summarizes the uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

- Record increase to cash for the fair market value adjustment of \$2,333,088.
- Decrease "due from other governments" to actual amount received (\$53,791).
- Decrease "other receivables" to actual amount received (\$160,503).
- Increase taxes receivable for \$2,933,214 to agree to Tax Statistics Summary.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 4, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

COUNTY OF MARIN

Management Report Required Communication For the Year Ended June 30, 2008

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

COUNTY OF MARIN

Management Report Current Year Comments For the Year Ended June 30, 2008

REPORT TIMELINESS

Criteria

Financial reporting entities exist in a dynamic, ever-changing operating environment. Information presented in financial statements provides the greatest benefit to users when it is available shortly following the end of the fiscal period presented in the statements. As a given set of financial statements grow older and new pressures and operating conditions arise, the older financial statements are less likely to convey those conditions in a way that allows users to make sound decisions. Consequently, both the California State Controller's Office and OMB Circular A-133 require submission of the County's final audited financial statements by the end of nine months following the close of each of the County's fiscal years.

Condition

Since the finalization of the 2005-2006 audit, the County worked diligently with the Auditor to prepare for the 2006-2007 audit process. Despite these efforts, final audit field work for the fiscal year ended June 30, 2007 was not scheduled until December 2008, after receipt of a final trial balance. Likewise, the 2007-2008 audit was also delayed. The 2007-2008 audit was scheduled in May 2009 and the final audit field work was performed in September-October 2009. The final audit report for this period was not issued until January 8, 2010.

Cause

On July 1, 2006, the County transitioned from its legacy MARS accounting system to SAP. This transition was particularly challenging since the County had previously done the accounting for some activities outside of MARS, and these activities had to be integrated in the SAP system. The SAP implementation also resulted in the reassignment of several employees who had been previously dedicated to accounting and financial reporting to the SAP implementation team. The resulting turnover in staffing and challenges of conversion were significant obstacles in preparing for the audit.

Effect

As both the June 30, 2007 audit and the June 30, 2008 audit were incomplete as of nine months following year-end, the County was not in compliance with the requirements of OMB Circular A-133, the California State Controller's Office, and other entities to which it had agreed by contract to furnish the audit report by an earlier date. Late submission of reports could cause the County to lose funding from various agencies.

COUNTY OF MARIN

Management Report Current Year Comments For the Year Ended June 30, 2008

REPORT TIMELINESS (continued)

Recommendation

Now that many of the SAP conversion issues have been addressed, we do not anticipate that delays will be as significant in the future. However, we do recommend the County consider the staffing assigned to financial reporting objectives to ensure it is sufficient to permit timely preparation of the financial statements in the future. We also recommend that the County develop IT solutions that can be used on an ongoing basis to easily extract the data necessary to prepare financial statements and perform the audit. This is a repeat of a prior year recommendation.

Management Response

We agree that "timeliness" is a cornerstone of financial reporting. The issues of SAP and staff conversion have significantly impacted the County's ability to report financial results on a timely basis. Many of the roadblocks to "timely" financial reporting have been removed; yet, some remain since system modifications seldom affect historical events or transactions. We continue to work, in partnership with IST, to work out solutions to both current and future recording of transactions and their related reporting requirements.

There are a sufficient number of County employees who are expert in accounting and financial reporting. The Department of Finance will create a work plan to close the books and prepare financial reports in a timely manner, beginning with the current fiscal year, 09-10. This work plan will involve agreement with departments on appropriate work practices for recording end-of-year transactions.

COUNTY OF MARIN

Management Report Current Year Comments For the Year Ended June 30, 2008

ACCOUNTING FOR GOVERNMENTAL TRUST FUNDS

Criteria

The County adopted the provisions of GASB Statement No. 34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2002. GASB 34 states that assets held for the government should no longer be reported in fiduciary funds, but rather in governmental or proprietary funds, as appropriate

Condition

Currently, the County maintains approximately fifty (50) trust funds whose activity must be analyzed and summarized outside of the accounting system for integration into the financial statements at year end.

Due to the structure of these trust funds within the accounting system, the County is not able to fully utilize the capabilities of its accounting system to generate reports necessary for financial reporting and budgeting of these trust funds and has to rely on electronic spreadsheets for summarizing the activity of each of these funds. For example, the County is not able to generate revenue and expenditure budgetary comparisons by account or generate a summary of activity by revenue and expenditure type for a particular fund without manually summarizing the activity. In addition, we noted that there were some direct payments being made out of some funds without any budgetary consequences since revenues and disbursements are not compared against the adopted budget unless the funds are transferred from the trust funds to an existing governmental fund.

Cause

The County did not fully implement Governmental Accounting Standards Board's Statement No. 34 prior to the installation of its new accounting system. This made the year-end "closing" process cumbersome, and necessitated a series of spreadsheets and other processes to enable adequate financial reporting.

Effect of Condition

By not fully utilizing the accounting system to report the activity of these governmental trust funds, staff is summarizing the activity using electronic spreadsheets which 1) can cause errors in exporting information into these spreadsheets and 2) increase the possibility of the County doubling-up revenues and expenditures for monies that are transferred from these trust funds to existing County funds. In addition, because the County does not budget for any activity occurring in these trust funds, it is not able to properly address any possible significant deviations from the adopted budget.

COUNTY OF MARIN

Management Report Current Year Comments For the Year Ended June 30, 2008

ACCOUNTING FOR GOVERNMENTAL TRUST FUNDS (continued)

Recommendation

We recommend that the Auditor-Controller's office consider utilizing its accounting system to account for the activity of governmental trust funds rather than the labor-intensive process of *transferring data onto spreadsheets* and to budget for trust fund activity. To implement this process, the Auditor-Controller's Office will need to close out the governmental trust funds from the trust funds where they are currently being reported and either combine the balances with an existing governmental fund or create new funds that use the budgetary object code reporting structure. This is a repeat of a prior year recommendation.

Management Response

The Department of Finance is currently working on a proposed solution to correctly account for these remaining "trust funds" as "governmental funds." We, in conjunction with the County Administrator's Office, are preparing amendments to the County's budget process to include these funds as budgeted funds.

COUNTY OF MARIN

Management Report Current Year Comments For the Year Ended June 30, 2008

BUDGETARY CONTROLS

Criteria

Government Code § 29122 provides that the County Auditor shall not release payment of any obligation that was not authorized by a legally adopted budget appropriation, except in emergency circumstances, in response to a court order, or in compliance with legal requirements. In order to ensure compliance with this provision, many County auditors record the budget and actual expenditures against it in their general ledger system and configure the system to prevent the recording of any expenditures in excess of the budgeted appropriations.

Condition

The County general ledger tracks the approved budget and actual expenditures for monitoring purposes to ensure that expenditures are not approved if they are in excess of budget. As part of a compliance review to determine whether the County was adhering to budgetary controls, we noted that while the SAP system prevents departments from recording expenditures over appropriations in services and supplies and fixed asset categories, it is not configured to prevent excess expenditures in the salaries category.

Cause

To avoid potential difficulties in issuing payroll checks to employees, for which time is of the essence, the County elected not to configure the system to prevent issuance of payroll checks.

Effect

Permitting salary expenditures in excess of the adopted budget could represent a legal violation.

Recommendation

We recommend that the County consider the feasibility of implementing an automated control within the SAP system that would warn appropriate officials when salary expenditures exceeded budget or were projected to exceed budget, without actually preventing the issuance of payroll checks. We also recommend that the County perform more frequent comparisons of actual expenditures to the adopted budget to ensure that modifications to the budget are submitted to the Board for review in a timely manner and that over-spending is not allowed. Implementing such reviews would assist the County in dealing with potential problems proactively before actual obligations were incurred. This is a repeat of a prior year recommendation.

COUNTY OF MARIN

Management Report Current Year Comments For the Year Ended June 30, 2008

BUDGETARY CONTROLS (continued)

Management Response

We agree that budget controls over salaries was turned off, however; budget controls over “fund centers” and services and supplies were in place. Additionally, management from the County Administrator’s and the Department of Finance were continually monitoring transactions to provide oversight and control of budgeted expenditures. The fund center control provided a hard stop in all cases.

The budget system automatically prevents expenditures in excess of appropriations at the fund center level, and for the categories of services and supplies and fixed assets. Payroll expenditures are controlled by the hiring authority and the authorization to work.

Employees are paid after the related liability has occurred; therefore, a budget system “stop” on payment of payroll does not, in itself, prevent expenditures in excess of appropriations.

COUNTY OF MARIN

Management Report
Current Year Comments
For the Year Ended June 30, 2008

FUNCTIONAL EXPENDITURE REPORTING IN SAP

Criteria

Guidelines promulgated by the California State Controller's Office provide that local governments within California classify expenditures for financial reporting among seven standard functions, as follows: 1) general government, 2) public protection, 3) public ways and facilities, 4) health and sanitation, 5) public assistance, 6) education and 7) culture and recreation. GASB Statement 34 further requires that revenues be associated with the functional expense categories to which they relate. To facilitate this classification, many local governments have assigned a function to each expenditure account within their general ledger and are able to produce reports from the general ledger system clearly identifying expenditures by function.

Condition

Within the County's SAP accounting system, activities are classified by fund, department, and line item objects (e.g. salaries and benefits, services and supplies), but the system does not appear to be able to report expenditures by function as described above.

Cause

The County implemented SAP at the beginning of the fiscal year ending June 30, 2007. As part of the implementation process, County departments were assigned cost centers for budget and reporting purposes. However, the cost centers assignment has not been completed to date and reporting by function from the SAP system is not currently available.

Effect

The County is not able to fully utilize the capabilities of its accounting system to generate financial statements and must rely on the use of additional spreadsheets to compile the necessary schedules.

Recommendation

We recommend that the County create and associate each revenue and expenditure account within SAP with one of the seven standard functions used by the California State Controller's Office and create a report within the SAP system that allows easy access to this data. The County may wish to use the spreadsheets already prepared as a basis for assigning the accounts to functional categories. This is a repeat of a prior year recommendation.

COUNTY OF MARIN

Management Report
Current Year Comments
For the Year Ended June 30, 2008

FUNCTIONAL EXPENDITURE REPORTING IN SAP (continued)

Management Response

The county recognizes that functional expenditure reporting is currently not efficient. The County is in the process of assessing the SAP system's ability to create custom reports that will mitigate the impact of this condition.

COUNTY OF MARIN

Management Report Current Year Comments For the Year Ended June 30, 2008

BUDGET TO ACTUAL REPORTING

Criteria

GASB Statement 34 requires budgetary comparison schedules be presented in either the basic financial statements or as required supplementary information for the General Fund and all major special revenue funds with an adopted budget. To facilitate preparation of this schedule, accounting systems generally produce budget-to-actual reports which are then summarized for financial statement presentation. The actual expenditures shown on these reports may differ from the expenditures shown on the Statement of Revenues, Expenditures, and Changes in Fund Balances, but if they do differ, a reconciliation of these differences should be presented.

Condition

We were provided with budget to actual reports for the budgetary schedule. However, the amounts on these reports when compared to the general ledger did not agree in all instances, especially with respect to services and supplies expenditure accounts.

Cause

Expenditures are reported in the SAP general ledger by account number and cost center, whereas the budget is reported by account and fund. Additionally, there is a difference in how transactions are recorded in the cost accounting system and the general ledger.

Effect

Differences between the budget-to-actual reports and the general ledger expenditure amounts can make reconciliation between the budgetary schedule and the financial statements difficult.

Recommendation

We recommend that the County consider whether the level of detail in SAP is appropriate for reconciling or agreeing actual revenues and expenditures to budget and to meet the financial reporting objectives and to make necessary adjustments. This is a repeat of a prior year recommendation.

Management Response

The county recognizes that budget to actual reporting is currently not efficient. The County is in the process of assessing the SAP system's ability to create custom reports that will mitigate the impact of this condition.

COUNTY OF MARIN

Management Report Current Year Comments For the Year Ended June 30, 2008

NETTING OF RECEIVABLES AGAINST ADVANCES

Criteria

Except in special, specifically defined circumstances, the financial statements should not net assets and liabilities together, as doing so obscures the true financial position of an entity by rendering readers unable to evaluate each balance sheet account separately.

Condition

While gaining an understanding of the composition of the County's accounts receivable balances, we learned that the receipt of social services advances, which result in an unearned revenue liability, are being offset against customer accounts receivable entries in accounts 1130120 · Advances – Customer and 1130105 · Accounts Receivable – Customers. The sum of the two accounts is being reported as the County's accounts receivable balance.

Cause

By not using a separate account for advances as a liability account, advances and accounts receivable are being treated as similar accounts.

Effect

The netting of unearned revenue and accounts receivable transactions referred to above results in the reporting of a composite balance that represents neither an asset nor a liability and is of limited benefit for financial statement users.

Recommendation

We recommend that the County separate reporting of unearned revenue transactions from accounts receivable transactions to promote clarity in presentation. This is a repeat of a prior year recommendation.

Management Response

The occurrence of repeat findings does not indicate a lack of care or concern on the part of management. Many issues are being addressed within the current fiscal year, 09-10. However, audits, and related findings, have occurred well after the end of the year, and may not reflect all changes to the control environment.

COUNTY OF MARIN

Management Report Current Year Comments For the Year Ended June 30, 2008

FINANCIAL STATEMENT PREPARATION AND APPLICATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Criteria

The configuration and controls in place of the system of accounts and how they operate should provide reasonable assurance that the County of Marin's general ledger provides management the information necessary to prepare the County's financial statements in accordance with generally accepted accounting principles.

Condition

Our observations and audit testing disclosed that Auditor-Controller's staff had to manually adjust many accounts and correct many original postings to properly reflect the business transactions of the County in accordance with generally accepted accounting principles. These adjustments affected the year-end balances of accounts receivable payroll clearing accounts, outstanding warrants, accrued liabilities, deferred revenue as well as County revenues.

Cause

The installation of and/or the configuration of the SAP system was done in a manner which did not assure the proper postings of various accounts and staff was not properly trained in new business processes to accurately generate postings to the accounts of records.

Effect

The County financial records required much analysis, corrections, adjustments and postings to avoid material misstatement of the County's business transactions and in order for the financial statements to be prepared in accordance with generally accepted accounting principles.

Recommendation

The County should continue to modify the SAP system to accurately process and record the business transactions in such a way to generate assurance as to accuracy and completeness of the financial information recorded. In addition, County staff, both in the County Auditor's Office and other departments which post to the accounting system should continue to be trained in the skills necessary to accurately and competently fulfill their responsibilities. This is a repeat of a prior year recommendation.

COUNTY OF MARIN

Management Report
Current Year Comments
For the Year Ended June 30, 2008

**FINANCIAL STATEMENT PREPARATION AND APPLICATION OF GENERALLY
ACCEPTED ACCOUNTING PRINCIPLES (continued)**

Management Response

There are a sufficient number of County employees who are expert in accounting and financial reporting. The Department of Finance will create a work plan to close the books and prepare financial reports in a timely manner, beginning with the current fiscal year, 09-10. This work plan will involve agreement with departments on appropriate work practices for recording end-of-year transactions.

The fiscal year 08-09 reports are currently being written, and processes for gathering necessary information are solidifying.

COUNTY OF MARIN

Management Report Current Year Comments For the Year Ended June 30, 2008

BOARD APPROVAL OF BUDGET ADJUSTMENTS

Criteria

The Board should approve adjustments to the budget on an individual basis in order to ensure management oversight by the Board.

Condition

The Board issues an annual authorization letter, which gives the ACO and CAO the authorization to adjust budgets as needed, with the exception of capital projects and grants which must be approved by the Board.

Cause

The authorization letter is considered by the Board, the ACO and the CAO as Board approval for any required individual budget adjustments, excluding capital projects and grants.

Effect

Adjustments to the budget may occur which the Board may not have approved if the adjustments were being reviewed on an individual basis.

Recommendation

The Board should approve budget adjustments on an individual basis.

Management Response

Because the County relies upon year-end fund balance to help finance the coming budget year, the County Administrator and Department of Finance work together at mid-year on a process of comparing budgeted revenues and expenditures versus current year estimates to maintain services. With authority formally delegated by the Board of Supervisors at mid-year, this "Actuals & Expectations" (A&E) process is designed to assess and capture savings during the fiscal year with the intent of preserving County resources as well as to better inform budget planning for the coming year.

To improve transparency, the CAO and DOF plan to evaluate the A&E process to review and establish criteria for which A&E adjustments require Board approval.

COUNTY OF MARIN

Management Report Current Year Comments For the Year Ended June 30, 2008

MISSING EMPLOYEE TIMESHEETS

Criteria

In order to maintain control over payroll transactions all employees should be required to record and authorize hours worked.

Condition

During our test of controls over payroll, timesheets could not be located for 6 of the 29 items selected.

Cause

Adequate record keeping is not in place to maintain employee timesheets.

Effect

A lack of controls over the recording and authorizing of time worked by employees creates opportunities for fraudulent payroll transactions.

Recommendation

We recommend that timesheets be completed and authorized by all employees. We also recommend that all timesheets be maintained for a reasonable period of time and be accessible.

Management Response

The Department of Finance agrees with the recommendation. The DOF will work with departments to ensure adequate documentation is maintained.

COUNTY OF MARIN

Status of Prior Year Recommendations For the Year Ended June 30, 2008

Recommendation	Status
REPORT TIMELINESS	
We recommend the County consider the staffing assigned to financial reporting objectives to ensure it is sufficient to permit timely preparation of the financial statements in the future. We also recommend that the County develop IT solutions that can be used on an ongoing basis to easily extract the data necessary to prepare financial statements and perform the audit.	Implementation is continuing
OUTSTANDING WARRANTS	
We recommend that the County perform an analysis to identify the types of transactions that are not being cleared properly through the automated process. Using the results of this analysis, we recommend that the Auditor-Controller's Office, Treasurer's Office, and the SAP developers work with the bank as appropriate to modify the automated process so that the automatic clearing of disbursements can function as intended.	Implemented
ENCUMBRANCES ROLLOVER	
We recommend that the County run the encumbrance report as of June 30 to ensure subsequent activity does not affect the encumbrance balance. In addition, we recommend that the County perform more thorough reconciliations between open contract balances and the general ledger to ensure that amounts on the general ledger are correct.	Implemented
ACCOUNTING FOR GOVERNMENTAL TRUST FUNDS	
We recommend that the Auditor-Controller's office consider utilizing its accounting system to account for the activity of governmental trust funds rather than the labor-intensive process of transferring data onto spreadsheets and to budget for trust fund activity. To implement this process, the Auditor-Controller's Office will need to close out the governmental trust funds from the trust funds where they are currently being reported and either combine the balances with an existing governmental fund or create new funds that use the budgetary object code reporting structure.	Implementation is continuing

COUNTY OF MARIN

Status of Prior Year Recommendations For the Year Ended June 30, 2008

Recommendation	Status
BUDGETARY CONTROLS	
We recommend that the County consider the feasibility of implementing an automated control within the SAP system that would warn appropriate officials when salary expenditures exceeded budget or were projected to exceed budget, without actually preventing the issuance of payroll checks. We also recommend that the County perform more frequent comparisons of actual expenditures to the adopted budget to ensure that modifications to the budget are submitted to the Board for review in a timely manner and that overspending is not allowed. Implementing such reviews would assist the County in dealing with potential problems proactively before actual obligations were incurred.	Not implemented
FUNCTIONAL EXPENDITURE REPORTING IN SAP	
We recommend that the County create and associate each revenue and expenditure account within SAP with one of the seven standard functions used by the California State Controller's Office and create a report within the SAP system that allows easy access to this data. The County may wish to use the spreadsheets already prepared as a basis for assigning the accounts to functional categories.	Not implemented
BUDGET TO ACTUAL REPORTING	
We recommend that the County consider whether the level of detail in SAP is appropriate for reconciling or agreeing actual revenues and expenditures to budget and to meet the financial reporting objectives and to make necessary adjustments.	Not implemented
NETTING OF RECEIVABLES AGAINST ADVANCES	
We recommend that the County separate reporting of unearned revenue transactions from accounts receivable transactions to promote clarity in presentation.	Implementation is continuing
ACCOUNTS RECEIVABLE ESTIMATES	
We recommend that the Auditor-Controller's Office establish an acceptable level of third party documentation to support each receivable amount.	Implemented

COUNTY OF MARIN

Status of Prior Year Recommendations For the Year Ended June 30, 2008

Recommendation	Status
FINANCIAL STATEMENT PREPARATION AND APPLICATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES	
We recommend that the County continue to modify the SAP system to accurately process and record the business transactions in such a way to generate assurance as to accuracy and completeness of the financial information recorded. In addition, County staff, both in the County Auditor's Office and other departments which post to the accounting system should continue to be trained in the skills necessary to accurately and competently fulfill their responsibilities.	Implementation is continuing

